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DEPARTMENT OF NATURAL RESOURCES
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March 15, 2001

TO: ~~Internal File~~

THRU: Daron R. Haddock, Permit Supervisor *DRH*

FROM: Wayne H. Western, Senior Reclamation Specialist *WHW*

RE: Midterm Review, Andalex Resource, Inc., Centennial Mine ~~2001-019~~- MT99-3

SUMMARY:

As part of the midterm review the Division evaluated the reclamation bond for the Centennial Mine. The review consisted of updating the indirect costs to standards developed in June 2000, updating concrete demolition costs and converting the spreadsheets from Quattro Pro to Excel. The Division used the existing reclamation costs in MRP.

RECLAMATION PLAN

BONDING AND INSURANCE REQUIREMENTS

Regulatory Reference: 30 CFR Sec. 800; R645-301-800, et seq.

Analysis:

Determination of bond amount

As part of the midterm review the Division examined the reclamation bond and cost estimate for the Centennial Mine. The Division revised the bond amount based on several factors included the updated indirect costs and revised concrete demolition costs. The Division also converted the spreadsheets from Quattro Pro to Excel. A revised reclamation cost summary is attached to this memo.

TECHNICAL MEMO

The current bond is \$1,080,839 in 1999 dollars. The Division's revised reclamation cost estimate is \$1,176,000 in 2004 dollars. The revised reclamation cost estimate is \$96,000 higher than the existing bond. The main reason for the increase cost is escalation, which the Division is required to include into the cost estimate. See R645-301-830.300.

The percent difference between the posted bond and the revised reclamation cost estimate is 8.9%. The Division usually requires the bond amount to be adjusted if the difference between the reclamation bond and the reclamation cost estimate is greater than 5%. Since bonds are usually adjusted during the midterms and the current bond has not been revised for inflation since 1999, the Division must increase the bond amount.

Findings:

The permittee has met the minimum requirements of this section.

RECOMMENDATIONS:

R645-301-830.300, The permittee must increase the bond amount to cover escalation costs. The new bond must be no less than \$1,176,000.

Bonding Calculations
Centennial Mine C/007/019
Revised

Feb. 2001

Bond Summary

Direct Costs

Subtotal Demolition and Removal	\$296,035.00
Subtotal Backfilling and Grading	\$290,235.00
Subtotal Revegetation	\$256,132.00
Direct Costs	\$842,402.00

Indirect Costs

Mob/Demob	\$84,240.00	10.0%
Contingency	\$42,120.00	5.0%
Engineering Redesign	\$21,060.00	2.5%
Main Office Expense	\$57,283.00	6.8%
Project Mainagement Fee	\$21,060.00	2.5%
Subtotal Indirect Costs	\$225,763.00	26.8%

Total Cost in 2001 Dollars \$1,068,165.00

Escalation factor 0.0327
Number of years 3
Escalation \$108,251.00

Reclamation Cost 2004 \$1,176,416.00

Bond Amount (rounded to nearest \$1,000) \$1,176,000.00